# A Growing Debt to Young Americans

By Hans Riemer, Washington Director
Rock the Vote

On behalf of Rock the Vote, I wish to thank you, Representative Spratt, for inviting me to discuss the economic situation facing young people and why they should be concerned about the enormous and expanding budget deficit.

Rock the Vote is a nonprofit organization based in Los Angeles that promotes political participation for young adults. I am pleased to report that, as registration deadlines approach, more than 10,000 people a day are using our website to fill out voter registration forms. We are fully confident that this is going to be an historic election for young voters.

When asked what issues matter to them most in this election, young voters consistently say jobs and the economy. This points to how concerned they are about the government's economic stewardship. Young people today are financially stressed, and the government's handling of fiscal policy has a deep impact on their lives.

I would like to paint a picture of some of the economic challenges that the new generation is dealing with on a day-to-day basis.

**They are having a more difficult time finding jobs**. After a period in the late 1990s when young adult entrepreneurs were the poster children of a so-called new economy, circumstances have swung in the opposite direction, and young workers have dropped out of the public eye. Today, many fear that outsourcing has drained away the entry-level hi-tech jobs that were seemingly so abundant during the boom years.

The economy has not produced nearly enough new jobs to meet the needs of young adults. The unemployment rate is about twice as high for young people as the general population—nearly 10% of 20-24 year olds are actively looking for jobs and cannot find them.[1] There are more than 1.17 million unemployed college graduates.[2] The "jobless rate," a broader measure that includes young people who have given up looking for work, is extremely high for 16-19 year olds: about 56% are jobless, including 75% of African Americans and 66% of Latinos in that age group.[3]

**The jobs they find are more often part-time and temporary**. There has been much public discussion about how, in recent years, the jobs that are being lost in the U.S. economy are being replaced by jobs in sectors that pay substantially less and provide fewer benefits. Temporary services and retail will account for nearly three-quarters of the new jobs created in the coming two decades.[4] For young workers, this may mean spending years churning through low-quality jobs without acceptable benefits or union protections before they gain a foothold on a rewarding career ladder.

**As a result, they are taking on more debt than ever before.** This generation is financially stressed, and one of the big causes is the explosive rise of personal debt. As tuitions rise and grants are cut, young people are increasingly financing their educations on their own, through loans. At the same time, the laws that freed up banks to market more heavily to young consumers and students are wreaking their effect as this demographic is increasingly falling back on credit cards to make up for what they are losing in wages and student aid.

The public policy organization Demos reports that from 1992 to 2001, the average credit card debt carried by indebted 25-34-year-olds increased by 55%, to $4,088. For 18-24 year olds, the debt increased by an alarming 104% to an average of $2,985. Indebted households in this age group spend nearly 30% of their income on debt payments.

Student loans have spiked sharply, as young people are increasingly paying their own way through school by borrowing large sums of money. As Demos explains, "In the 1992-93 school year, 43 percent of students borrowed money for college. By the end of the decade, almost two-thirds of students had borrowed." The average debt for a graduate was $18,900 in 2002, about double the total from 1992.[5] Many of these students, I should add, would be shocked to learn that as they are paying 3.5% interest on their loans, the bank is collecting 9.5% interest from the government—a scandal, indeed.

**Millions are falling into an enormous "youth gap" in health coverage**. Between 2000 and 2002, more than two million Americans age 19-29 lost their health coverage.[6] That is more than 2,700 every day—adding up to more than 13 million 19-29 year olds nationwide with no health insurance.

According to the Commonwealth Fund, "Young adults (ages 19 to 29) are one of the largest and fastest-growing segments of the population without health insurance in the United States." The bottom line: If you are young, you are twice as likely to have no insurance. Nearly half of all young men and women went without health insurance at some point in the past two years. Thirty percent are uninsured as I speak to you today.[7]

I would add that Rock the Vote has launched a campaign to raise the age of eligibility for family health plans to 26, so that young people do not get kicked off their family plans when they turn 19 or graduate. We urge you to support this initiative.

**All told, this generation is financially stressed**. They see the good jobs that they need to pay off their mounting debts moving overseas. Cuts in tuition amount to a massive transfer of wealth from their pockets to someone else's. They bounce around in service sector jobs waiting to get on a career path, and, while they're mired in those positions, they can only hope that they do not get sick or injured, because without health insurance, they could easily be driven into bankruptcy by the medical bills. With so little money to go around, they are not taking adequate steps to save for the future.

As this financial pressure is mounting for young Americans, there is a growing problem with government fiscal management that could make matters much worse.

According to the Congressional Budget Office, the government will spend $422 billion more than it collects in tax revenue in 2004. This will pile onto a federal debt that already exceeds $6.7 trillion. A large portion of this debt has been created in the last four years. While it is debatable whether the

President's tax cuts have spurred the economy, it is a fact that they have contributed to the exploding national deficits.

Temporary budget deficits are not necessarily bad, particularly if they represent a conscious national choice to meet a pressing need—to fight wars or to provide relief during a recession, for example. But large, sustained deficits are a different thing.

As many economists have demonstrated, large sustained deficits undermine the economy and reduce our standard of living. Servicing the debt is expensive and wasteful, particularly when the tax dollars for debt payments are going overseas. Deficits also lead to higher interest rates on student loans and credit card payments, taking money right out of the pockets of young people struggling with debt. For a young couple buying a house, large deficits could add literally thousands of dollars a year to their costs, according to economist Peter Orszag.

Finally, in just a few years, the first baby boomers will begin to retire. While there is no question that Social Security and Medicare will always be there in the future, it is true that more money is needed to safeguard those benefits for today's younger generations. As young adults reap the incalculable benefit of longer life spans, they will need Social Security's lasting guarantee just as much as today's seniors. It will only take a modest amount of money to protect Social Security and the time to being preparing the way is now.

At the same time, the crisis in health care costs is spiraling out of control—and taking the Medicare program, along with our own monthly health insurance premiums and family budgets, along for the ride. We are on an unsustainable path that will require more fundamental change in our health care system—including new budget resources. These critical needs will be more difficult to manage from a position of budget crisis.

Recently, Pace University and Rock the Vote conducted a poll of newly registered voters. The findings were instructive for today's discussion. Asked what is more important, "cutting taxes or reducing the federal deficit," 51 percent chose the reducing the deficit while 44 percent chose cutting taxes. Asked to choose between "cutting taxes or increasing access to affordable health care," 77 percent chose health care while 22 percent chose taxes.[8]

The time is now to reverse course and put our budget priorities back in order. For young voters, all signs are pointing to a resurgence of interest in the presidential election and a higher rate of voter participation: they are inspired and engaged. We urge you not only to applaud this awakening, but also to respond to their interests, to show them that the government is on their side as they struggle to fulfill hopes and dreams.

Thank you for your time.

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[1] 18to35, http://www.18to35.org
[2] Demos, http://www.demos-usa.org
[3] Children's Defense Fund, http://www.childrendsdefense.org
[4] 18to35, http://www.18to35.org
[5] Demos, http://www.demos-usa.org
[6] Americans for Health Care, http://imahealthcarevote.org
[7] The Commonwealth Fund, http://www.cmwf.org
[8] Pace University and Rock the Vote, http://www.rockthevote.com